MONTANA LEGISLATIVE HISTORY

Chapter 380 1975

Bill H 507 S _____ Original bill & history ____C

H. Committee on Local Govt.			S. Committee on State Admin.		
Hearing Date(s)	Feb 21	✓ C	Hearing Date(s)	Mar 13	✓ C
		____C		Mar 19	✓ C
		____C			____C
		____C			____C
Date Out		____C			

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

House BILL NO. 507

INTRODUCED BY Tindell by request of Dept Intergovernmental Relations

A BILL FOR AN ACT ENTITLED: "AN ACT TO RECODIFY THE EXAMINATION DUTIES OF THE DEPARTMENT OF INTERGOVERNMENTAL RELATIONS; REVISING PRESENT LANGUAGE AND ADDING SECTIONS TO CLARIFY THE AUDIT PROCESS; PROVIDING FOR AUDITS BY LICENSED PUBLIC ACCOUNTANTS OR FIRMS OF PUBLIC ACCOUNTANTS; AMENDING SECTION 75-6323, R.C.M. 1947; REPEALING SECTIONS 82-4501 THROUGH 82-4514, R.C.M. 1947; AND PROVIDING A DELAYED EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Definition. Unless the context requires otherwise, in this chapter "department" means the department of intergovernmental relations.

Section 2. Audit duties of department. (1) The department shall audit the affairs of all:

(a) counties;

(b) incorporated cities and towns;

(c) school districts;

(d) school district extracurricular fund for pupil functions;

(e) irrigation districts;

(f) conservancy districts;

INTRODUCED BILL

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(g) fire districts and volunteer fire departments in unincorporated areas, towns, and villages supported by a mill levy;

(h) fire department relief associations.

(2) Each audit shall be made annually and shall cover the immediately preceding fiscal year of the governmental entity.

(3) Each annual audit shall be initiated not later than twelve (12) months from the close of the fiscal year for which the audit is conducted.

(4) In lieu of the annual audits required by the department, the department may, with the consent of or at the request of the respective governmental entities, contract out such annual audits with a public accountant or firm of public accountants who are licensed under the laws of Montana.

Section 3. Audit purpose. The purpose of the audit of the affairs of the governmental entities as set forth in this chapter shall be to insure constituent interests by determining that compliance with all appropriate statutes and regulations is accomplished; that the financial condition and operations of the entities are reasonably conducted and reported; that the stewardship of such entities is conducted in such a manner as to preserve and protect the public trust and to accomplish, with economy and

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efficiency, the duties and responsibilities of the entities in accordance with the legal requirements imposed and the desires of the public.

Section 4. Audit scope. Each annual audit shall be a comprehensive audit of the affairs of the governmental entity, including comment on the balance sheet, results of operations, compliance with state statutes and regulations, recommendations for improvement, and any other comments deemed pertinent by the auditor, and including his expression of opinion as to the adequacy of the financial presentations. Each such annual audit required shall be made in accordance with generally accepted governmental auditing standards.

Section 5. Audit exit review conference. Upon completion of the field work of each audit, the in-charge auditor is required to hold with the appropriate officials an exit review conference in which the audit results shall be discussed.

Section 6. Audit reports content. The audit reports shall contain but are not limited to the following:

(1) financial statements that conform with the generally accepted governmental accounting principles and which, insofar as possible, present the financial position and results of financial operations for each fund of the governmental entity;

(2) an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed; when an overall opinion cannot be expressed, the reasons therefor should be stated;

(3) a statement that previously noted deficiencies or recommendations contained in previous audit reports have been acted upon by adoption as recommended, adoption with modification, or rejection; and

(4) disclosure of any lack of compliance with state statutes or regulations, as well as any operating deficiencies or recommendations for improvement.

Section 7. Audit reports -- issuance and filing. (1) Within sixty (60) days after the completion of the field work, the department shall issue audit reports as follows:

(a) county audit reports to county commissioners, the county clerk and recorder, and the county attorney;

(b) city or town audit reports to the city or town governing body, the city or town chief financial officer, the city or town chief executive, and the city or town attorney;

(c) school district audit reports to the trustees, the county superintendent of schools, the state superintendent of public instruction, the county attorney, and the clerk of the school district;

(d) school district extracurricular fund audit reports to the trustees, the county superintendent of schools, the state superintendent of public instruction, the county attorney, and the fund administrator;

(e) fire district or volunteer fire department audit reports to the trustees, the county attorney, and the clerk and recorder of the county in which the fire district or fire department is located;

(f) conservancy district audit reports to the board of directors, the state department of natural resources and conservation, the district court, and the county attorney(s);

(g) fire department relief association audit reports to the trustees, the city or town attorney, and the respective city or town clerk; and

(h) irrigation district audit reports to the board of commissioners, the district court, and the county attorney(s);

(2) In cases where a violation of law or nonperformance of duty is found on the part of an officer, employee or board, the officer, employee or board must be proceeded against by the attorney general or county, city or town attorney as provided by law. The county, city or town attorney shall report to the department within thirty (30) days after receiving the audit report from the department,

the proceedings instituted or to be instituted relating to the violations of law and nonperformance of duty. If the county, city or town attorney fails or refuses to prosecute the case, the department may employ an attorney to prosecute the case at the expense of the respective governmental entity.

(3) All audit reports issued by the department are to be maintained on file at an appropriate location and open to public inspection.

Section 8. Audit report -- reply by governing bodies. (1) Upon receipt of the audit report the governing bodies of each audited entity shall review the contents, and within thirty (30) days shall notify the department in writing as to what action they plan to take on any deficiencies or recommendations contained in the audit report. If no deficiencies or recommendations appear in the audit report, notification shall not be required.

(2) Notification to the department shall include a statement by the governing bodies that noted deficiencies or recommendations for improvement have been acted upon by adoption as recommended, adoption with modification, or rejection.

Section 9. Audit report -- publication. After the expiration of the thirty (30) day period provided for in section [8 of this act], the department shall send a copy of

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the general comments section of each annual audit report to a newspaper of general circulation for publication. However, the general comments section of each annual county audit report shall be sent to the official newspaper of the county for publication. The publication shall include a statement to the effect that the audit report is on file in its entirety and open to public inspection. Publication costs shall be borne by the audited governmental entity.

Section 10. Audit fees. The department shall charge audit fees based upon the costs incurred by the department in the conduct of each annual audit. All audit fees herein provided shall be paid by the governmental entity to the state treasurer and credited to the state general fund.

Section 11. Audit by independent accountant/auditor. (1) In lieu of the annual audits required of the department, the department may, with the consent of or at the request of the respective governmental entities, contract out such annual audits with a public accountant or firm of public accountants who are licensed under the laws of Montana.

(2) The department shall establish rules governing the administration of the contracts between the department, the independent accountant/auditor, and the governmental entities. These rules and regulations shall include, but not be limited to:

(a) establishment of criteria for the selection of the independent accountant/auditor;

(b) contract form and content; and

(c) standards of audit and reporting.

Section 12. Audit advisory council. Pursuant to the authority contained in section 82A-110, there shall be created an audit advisiory council for the purpose of providing a continuing review of the audit process and procedures contained in this chapter. The composition, duties and procedures of the audit advisory council shall be determined under the statutory guidelines contained in section 82A-110.

Section 13. Access to public accounts -- actions to compel. (1) The department may count the cash, verify the bank accounts, and verify all accounts of a public officer whose accounts it is examining under law. If an officer of any county, city, town, school, or other governmental entity referred to in this act, refuses to accord the department access during an audit of the officer's accounts to his cash, bank accounts, or any of the papers, vouchers or records of his office, or, if the department finds a shortage of cash, the department shall immediately file a preliminary report showing the refusal of that officer or the existence of the shortage and the approximate amount of the shortage, with the respective county, city or town

attorney and the governing body of the governmental entity.

Upon filing of the statement, the officer shall immediately be suspended from the duties and emoluments of his office, and the governing body of such governmental entity shall appoint some qualified person to the office, pending completion of the audit.

(2) Upon the completion of the audit by the department, if a shortage of cash existed in the accounts of the officer, the department shall file with the governing body of the governmental entity a final report of the audit, showing the shortage. The right of the officer to the office is then forfeited, and the office becomes vacant as of the date of the suspension of the officer. The person appointed to the office upon the suspension of the officer shall hold the office until the election and qualification of his successor, as provided by law.

(3) An officer whose right to office has been forfeited may, within ten (10) days after the filing of the department's final report or audit, begin in the district court of the proper judicial district a proceeding in quo warranto to test the right of his successor to hold the office, and to test the accuracy of the final report and audit of the department.

Section 14. Duty of officers to aid in audit. The officers and employees of the governmental entities referred

to in this act shall afford all reasonable facilities for the department's audit and shall furnish information to the department under oath in a manner prescribed by the department.

Section 15. Power to examine books and papers. The department may examine any books, papers, accounts and documents in the office or possession of any governmental entity referred to in this act, and may send for persons or papers and examine under oath any person concerning them.

Section 16. Special audits. (1) In addition to the annual audits required by section [2 of this act], the department may at any time conduct a special audit of the affairs of any governmental entity referred to in this act.

(2) The fee for the special audit shall be a charge based upon the costs incurred by the department in the conduct of such special audit. The audit fee herein provided shall be paid by the governmental entity to the state treasurer and credited to the state general fund.

Section 17. Accounting methods. The department shall prescribe the general methods and details of accounting for the receipt and disbursement of all monies belonging to governmental entities referred to in this act, and shall establish in those offices general methods and details of accounting. All governmental entity officers shall conform with the standards prescribed by the department.

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Section 18. Section 75-6323, R.C.M. 1947, is amended to read as follows:

"75-6323. Extracurricular fund for pupil functions. The government of the pupils of the school within a district or the administration of a school on behalf of the pupils may establish an extracurricular fund for the purposes of the receipts and expenditures of money collected for pupil extracurricular functions with the approval of the trustees of the district. All extracurricular moneys of any pupil organization of the school shall be deposited and expended by check from a bank account maintained for the extracurricular fund.

An accounting system for the extracurricular fund recommended by the ~~state---examiner~~ department of intergovernmental relations shall be implemented by the trustees. Such accounting system shall provide for:

(1) the internal control of the cash receipts and expenditures of the money; and

(2) a general account that can be reconciled with the bank account for the extracurricular fund and reconciled with the detailed accounts within the extracurricular fund maintained for each student function.

~~The--trustees--of--the--district--shall--cause--an--annual audit--of--the--extracurricular--fund--by--retaining--the--state examiner--to--perform--such--audit.---A--fee--of--eighty--dollars~~

~~($80)--per--day--per--man--shall--be--paid--from--the--extracurricular fund--or--district--moneys--to--the--state--examiner--for--deposit--in the--state--treasury--to--the--credit--of--the--general--fund.~~

~~The--auditor--shall--file--a--certified--copy--of--the--audit report--with---the---county---superintendent.---The---county superintendent--shall--publish--notice--in--a--newspaper--of--the district--or--county--of--the--filing--and--the--fact--that--it--is open--to--public--inspection.~~"

Section 19. Sections 82-4501 through 82-4514, R.C.M. 1947, are repealed.

Section 20. This act shall become effective on July 1, 1976.

-End-

The meeting was called to order at 8:00 a.m. by Chairman Gerke.
The secretary called the roll; Representative South was excused. All other members of the committee were present.

HOUSE BILL 507: Representative Kendall, sponsor, by request of the Department of Intergovernmental Relations, called on Mr. Geo Pendergast to explain the bill. The bill was drafted by the Department of Intergovernmental Relations with the assistance of Mr. E. Charles Painter, Missoula, and the Montana Society of CAPs, and reviewed by several organizations prior to introductio The bill allows the audit function of IGR the discretion to contract out to licensed public accountants or firms of public accountants for the purpose of conducting audits. Mr. E. Charle Painter, Director of Administrative Service, Missoula County; Mr. Dan Mizner, Executive Director of Montana League of Cities and Towns; Mr. Larry M. Heggen, Administrator of the City of Missoula; Mr. Raymond C. Young, City of Great Falls; Mr. Bill Schmidt, CPA; Mr. Wallace Edland, Montana School Board Associati were proponents and gave testimony. Letters from the Mayor of Great Falls and the Finance Director of Great Falls were present in support of the bill* There were no opponents. It was noted that the audit division of IGR recovers 70 to 80 percent of the cost of making an audit. It would be up to the governing body t chose from a list of qualified public accountants. It was broug out that some local enditites have not been audited since 1972. The audit section has been under staffed for many years. The IGR would set the quidelines. It was noted that help maybe asked for in the area of management, but the main concern is with the audit. Fees paid would be between local endity and auditor, and the amount of the fees would be higher than charged by the state. *(exhibit #1)

HOUSE BILL 409: Representative Williams, chief sponsor, explain this bill would allow agricultural enterprises to be eligible fo industrial revenue bonds. This change in industrial revenue bon act would benefit Montana. Representative Williams presented amendments to the bill. (exhibit #2) Marshall Young, Billings, spoke in support of the bill and presented an amendment to add a new su section (6) Improvements, improve, and improving mean those things which embrace any real property, personal property, or mixed property of any or any kind that can be used or that wi be useful to agriculture. Opponent was Mr. Robert Lenhardt, representing the Montana Farm Bureau Federation and presented a prepared statement to the committee (exhibit #3). There was discussion by the committee.

The committee went into executive session.

HOUSE BILL 507: It was moved by Representative O'Connell, seconded by Representative Kendell, that House Bill 507 DO PASS. After discussion of the bill, Chairman Gerke asked the committee if they would like to put it into a subcommittee or sent the bil to the Senate. It was suggested than an admendment be made changing from annually to as needed. Mr. Dan Mizner said he

would be willing to work with the committee and work out some admendments. Representative Kendell made a substitute motion to put it into a subcommittee but it was withdrawn in favor of sending the bill to the Senate and amending there. Question was called on DO PASS. Motion carried unanimously.

HOUSE BILL 409: It was moved by Representative Kendall, seconded by Represenative Sloan, that the suggested amendments to House Bill 409 by adopted. Motion carried. It was moved by Representativ Kendall, seconded by Representative Robbins, that House Bill 409 DO PASS AS AMENDED. After brief discussion question was called. Motion carried. Those voting NO were Representative Wyrick, Representative Asher, and Representative Sloan. Representative Kummerfeldt had been excused but advised the Chairman that he wished to vote YES.

HOUSE BILL 436: Representative Kendall, Chairman of the subcommitte advised they had gone over the amendments with the sponsor and principal changes accomplished changes petitions procedure. It was moved by Representative Magone, seconded by Representative Sloan, that the amendments be adopted (exhibit #4). Question was called. Motion carried unanimously. It was moved by Representative Palmer, seconded by Representative Magone, that House Bill No. 436 DO PASS AS AMENDED. Motion carried unanimously.

SENATE BILL 116: Representative O'Connell, Chairman of subcommitte reported that Senator Greely, chief sponsor of SB 116, was present for the discussion concerning the amendment to SB 116 (exhibit #5). It was moved by Representative O'Connell, seconded by Representativ Sloan, that the amendment to SB 116 be adopted. Motion carried unanimously. It was moved by Representative O'Connell seconded by Representative Kendall, that SB 116 DO PASS AS AMENDED. Motion carried unanimously.

Representative South said House Bill 215 has been referred to the rules committee and they are waiting for an opinion.

Being no further business to come before the committee at this time the meeting adjourned at 9:44 A.M.

Harold E. Gerke, Chairman

Yvonne Borgmann, Secretary

Mr. Harold Gerke, Chairman
Local Government Committee
Montana House of Representatives

RE: Support for House Bill #507

Ladies and Gentlemen of the Committee:

As Mayor of the City of Great Falls, I wish to express my support for House Bill #507.

As you may be aware, the Montana League of Cities and Towns on September 11, 1974 passed a resolution resolving that the League support the concept that would permit city's and town's option to employ public accountants to perform annual audits. The City, at that convention, supported this resolution and continues to enthusiastically support the concept which would allow cities the option of using expertise in auditing which is available locally.

This city recognizes that there may be no cost savings in this arrangement. However, the local availability of accountants and auditors who can answer day-to-day questions and assist the city's staff in formulating good accounting procedures and provide auditing services will make this a very beneficial arrangement for the City of Great Falls. Such accounting and auditing services are currently required for water, sewer and airport bond issues in the City of Great Falls, and we have for many years obtained the services of auditors to perform this function independent of the Examiner's Office. Because the bond indentures require independent certified audits and the state also requires the city to be audited, there is a duplication of effort. This act would, at our option, eliminate the extra cost and time.

As is mentioned in the resolution referred to above, the city is only asking for the option to freely acquire accounting services from qualified accountants within the State of Montana.

I urge your support of House Bill #507.

Very truly yours,

CITY OF GREAT FALLS

Curtis Ammondson

Curtis Ammondson, CPA
Mayor

P.O. BOX 1609 TELEPHONE 406 452-8561

20 February 1975

Mr. Harold Gerke, Chairman
Local Government Committee
Montana House of Representatives

RE: Support for House Bill #507

Ladies and Gentlemen of the Committee:

I would like to address my remarks to support the passage of House Bill #507. I have reviewed this bill in detail with Richard D. Thomas, our City Manager. The provisions contained in this bill are satisfactory from the City Administration's point of view, and we enthusiastically support the principle encompassed in this bill. The points I would like to make are these:

1.) Cities are asking for permissive legislation which would allow us the freedom to arrange for accounting and auditing services outside of the Municipal Division of the Department of Intergovernmental Relations.

2.) We are seeking freedom of access to accounting talent in our local areas. This will allow us to arrange for services when they are needed from nearby qualified accountants.

3.) We have determined that services are needed beyond the traditional cash stewardship function which has been used as a basis for audits in this state for many years. The City of Great Falls is a good example. If accounting and auditing assistance had been immediately available to the City Administration, it is felt from my discussion with members of the prior City Administration, that many of the problems experienced in the City of Great Falls could have been averted or solutions proposed long before the problems became critical.

4.) Independent accountants because of their professional code of ethics must maintain an independence toward their work. Concern about maintaining their independence when working within their own city should be considered with the standards required by Montana State Statutes regarding independent public accountants.

The bill further provides that the Department of Intergovernmental Relations will establish rules and regulations concerning audit services for municipalities. The department will retain the right to review all audits which are performed under this act.

I would like to again urge your favorable consideration of House Bill #507.

Very truly yours,

CITY OF GREAT FALLS

Raymond C. Young, CPA
Finance Director

the sale of products at the prison ranch to private people unless an emergency exists. Right now sales of by-products such as dead hides or cattle are made to commercial processors. This bill would permit them to sell these by-products directly to an operation for instance in Dillon, Montana.

3-13 Senate State Admin.

In answer to a question from the committee, Mr. D'Arcy explained that their intent was that "by-products" mean those products that could not be consumed by the various institutions and the state prison. It was suggested by Senator Murphy that the bill could be amended to read "except for non-edible livestock by-products" to clarify this. Mr. D'Arcy stated they would have no objection to including this language.

CONSIDERATION OF HOUSE BILL NO. 507: An act to recodify the examination duties of the department of intergovernmental relations; revising present language and adding sections to clarify the audit process; providing for audits by licensed public accountants or firms of public accountants; and providing a delayed effective date.

Mr. George Pendergast, Department of Intergovernmental Relations, stated that Representative Kendall had introduced this bill at the request of his department. It was drafted by the department with the help of Mr. Charles Painter. The League of Cities and Towns and other local government units reviewed it. He then pointed out some of the highlights of the bill. It will allow contracting out of work of dept. of IGR with local licensed accountants, and will recodify the present statutes as well. An audit advisory council is a new inclusion.

Mr. Donald Kerns, City of Helena and Montana League of Cities and Towns, appeared in support of House Bill 507. They feel it will provide for more timely audits in the community and in the state.

Mr. Ray Young, for the City of Great Falls, presented two letters for the record in support of House Bill 607: a letter from Mr. Curtis Ammondson, CPA and Mayor of the City of Great Falls (see Exhibit D attached); and himself, Raymond C. Young, CPA, Finance Director for the City of Great Falls (see Exhibit E attached). The main thing they like is the freedom to contract for accounting services in local communities where this talent is available. As CPA's, they could supply significant services to the cities that are difficult to obtain through the state auditing process because of the distance involved many times.

Mr. Al Sampson, Montana State Firemen's Association, submitted copies of amendments which he explained would rein-

sert the fee schedule concerning fire departments and volunteer fire departments. He pointed out that some very small departments, whose total income is only a few hundred dollars each year, are not able to pay a great deal.

Mr. R. A. Ellis, Montana State Volunteer Firemen's Association, also stated that he supports House Bill 507 with the amendments proposed by Mr. Al Sampson.

Mr. Mike Kovich, Finance Director for the City of Helena, also stated that he supports House Bill 507.

Mr. William Schmidt, Montana Society of C.P.A.'s, stated that he had been in on the discussion of the development of House Bill 507, and that he supports it. They believe it is a good bill.

Mr. Charles Painter, Board of County Commissioners of Missoula County and speaking also for Dean Zinnecker, Montana League of Cities and Towns, stated that he had been involved in drafting House Bill 507, and feels it has the necessary flexibility to accomplish the audit functions.

Chairman Greely closed the hearing on all bills. He then appointed each member of the committee to take certain of the governor's appointees to check into their backgrounds and report back to him before Friday, March 21.

The meeting was adjourned at 9:30 a.m.

Mike Greely

SENATOR MIKE GREELY, Chairman

SENATE STATE ADMINISTRATION COMMITTEE

S 282, 340, 7 and 561 VISITORS' REGISTER DATE 3-12-75

NAME	REPRESENTING	BILL #	(check one) SUPPORT	OPPOSE
Scott Anstrand	Montana Farm Bureau	340		X
Lee Johnson	Mont Soc of CPA's	HB 507	X	
CHARLES PRATER	MISSOULA COUNTY	HB 507	X	
Tom Ungost	EQR	HB 507	X	
Wade	Dept. of Health & Env. Sci.	340	X	
Jim Madison	" " "	340	X	
Lloyd Callahan	Berger Bros. Inc.	340	Amend	
Peggy MacDonald	The Anaconda Co.	340		X
Lobb	Mont Ed of the Nat	340		X
Jack Garvin	Montana Farmers Union	HB282	X	
Al J. Deney	Dept. Nat. Res. & Cons.	340	X	
Bob Henderson	Dept 35 Cascade County	282	X	
Raymond C Young	City of Great Falls	507	X	
Dan Kemmick	County of Helena	507	X	
Sampson	Five Eighteen	507	Amend	
J. Ellis	Mont Voh Assn	507	Amend	
Ronald R. Rasmussen	City of Helena & MT Ass	507	X	
Pete Brown	GOV'S OFFICE	340	X	

City of GREAT FALLS Montana

P.O. BOX 1609 TELEPHONE 406/452-8561

20 February 1975

. Harold Gerke, Chairman
ical Government Committee
ntana House of Representatives

: Support for House Bill #507

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s Mayor of the City of Great Falls, I wish to express my support for
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urge your support of House Bill #507.

Very truly yours,

CITY OF GREAT FALLS

Curtis Ammondson

Curtis Ammondson, CPA
Mayor

City of GREAT FALLS Montana 59403

P.O. BOX 1609 TELEPHONE 406/452-8561

20 February 1975

Mr. Harold Gerke, Chairman
Local Government Committee
Montana House of Representatives

RE: Support for House Bill #507

Ladies and Gentlemen of the Committee:

I would like to address my remarks to support the passage of House Bill #507. I have reviewed this bill in detail with Richard D. Thomas, our City Manager. The provisions contained in this bill are satisfactory from the City Administration's point of view, and we enthusiastically support the principle encompassed in this bill. The points I would like to make are these:

1.) Cities are asking for permissive legislation which would allow us the freedom to arrange for accounting and auditing services outside of the Municipal Division of the Department of Intergovernmental Relations.

2.) We are seeking freedom of access to accounting talent in our local areas. This will allow us to arrange for services when they are needed from nearby qualified accountants.

3.) We have determined that services are needed beyond the traditional cash stewardship function which has been used as a basis for audits in this state for many years. The City of Great Falls is a good example. If accounting and auditing assistance had been immediately available to the City Administration, it is felt from my discussion with members of the prior City Administration, that many of the problems experienced in the City of Great Falls could have been averted or solutions proposed long before the problems became critical.

4.) Independent accountants because of their professional code of ethics must maintain an independence toward their work. Concern about maintaining their independence when working within their own city should be considered with the standards required by Montana State Statutes regarding independent public accountants.

The bill further provides that the Department of Intergovernmental Relations will establish rules and regulations concerning audit services for municipalities. The department will retain the right to review all audits which are performed under this act.

I would like to again urge your favorable consideration of House Bill #507.

Very truly yours,

CITY OF GREAT FALLS

Raymond C. Young, CPA
Finance Director

Exhibit 4

SENATE COMMITTEE ON STATE ADMINISTRATION

AMENDMENTS TO HOUSE BILL NO. 507

it House Bill No. 507, third reading, be amended as follows:

Amend page 7, line 11.

Strike: " . "

Insert: " , except as follows:

(a) For each annual audit of fire department relief associations, the department shall charge audit fees on the basis of the fun of the association:

(i) If the fund is more than one thousand dollars ($1,000) and less than five thousand dollars ($5,000), the annual audit fee shall be ten dollars ($10);

(ii) If the fund is from five thousand dollars ($5,000) to t thousand dollars ($10,000), the annual audit fee shall be twenty-five dollars ($25);

(iii) If the fund is more than ten thousand dollars ($10,000) the annual audit fee shall be thirty-five dollars ($35).

(b) For each annual audit of fire districts and volunteer fire departments, the department shall charge audit fees of seven dollars and fifty cents ($7.50) an hour for each person engag in the audit."

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mended version of Section 10)

Section 10. Audit fees. The department shall charge audit fees bas on the costs incurred by the department in the conduct of each annual dit r , except as follows:

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(b) For each annual audit of fire districts and volunteer fire departm he department shall charge audit fees of seven dollars and fifty cents $7.50) an hour for each person engaged in the audit.

All audit fees herein provided shall be paid by the governmental entit o the state treasurer and credited to the state general fund.

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

March 17, 1975

The thirty-fifth meeting of the Senate State Administration Committee was called to order by Chairman Mike Greely at 1:05 a.m. on Monday, March 17, 1975 in Room 410 of the State Capitol Building.

ROLL CALL: All members were present.

DISPOSITION OF BILLS:

HOUSE BILL NO. 507: Senator Terry Murphy presented some amendments to this bill (see Exhibit A attached) and explained that they had been proposed by Mr. Al Sampson, Montana State Firemens Association, in conjunction with Mr. George Pendergast at IGR. The purpose of the amendments is to clarify the bill and meet everyone's objections.

Senator Murphy then made a motion that the committee adopt the above amendments to House Bill 507. The motion carried unanimously.

Senator Story then made a motion that House Bill 507 BE CONCURRED IN AS AMENDED. Motion carried unanimously.

HOUSE BILL NO. 532: Senator Roskie made a motion that House Bill 532 be amended as follows:

1. Amend page 2, section 1, line 12.
   Strike: "twenty-five cents (25¢)"
   Insert: "twenty cents (20¢)"

2. Amend page 2, section 2, line 25.
   Following: "~~(12¢)~~"
   Strike: "twenty-five cents (25¢)"
   Insert: "twenty cents (20¢)"

After some discussion, Senator Jergeson made a substitute motion that House Bill 532 be amended at 22 cents rather than 20 cents. A straw vote was taken, and since the motion did not have a chance of passing, Senator Jergeson withdrew it. A vote was taken on Senator Roskie's motion (see above) to allow 20¢ per mile for airplane travel on state business. The motion carried. (See information memo attached as Exhibit B.)

Senator Rosell then made a motion that House Bill 532 BE CONCURRED IN AS AMENDED. Motion carried unanimously.

STATE OF MONTANA

MAIL TO CAPITOL STATION HELENA, MT 59601

EXECUTIVE OFFICE	406/449-3111	MANPOWER RESOURCES DIVISION
AERONAUTICS DIVISION	406/442-2506	INDIAN AFFAIRS
CENTRALIZED SERVICES DIVISION	406/449-3707	LOCAL GOVERNMENT SERVICES DIVISION
ECONOMIC DEVELOPMENT DIVISION	406/449-2402	PLANNING DIVISION
HIGHWAY SAFETY DIVISION	406/449-3412	RESEARCH & INFORMATION SYSTEMS DIVISION
HOUSING DIVISION	406/449-2704	

THOMAS L. JUDGE
GOVERNOR

Montana's Agency for Planning & Local Affairs

March 13, 1975

MEMORANDUM

TO: Senator Terry Murphy, Vice Chairman
State Administration

FROM: George H. Pendergast

RE: Amendments to House Bill Number 507

Attached are the proposed Senate State Administration Committee amendments to House Bill Number 507, as agreed upon by your State Administration subcommittee at its noon meeting today.

Should you have any questions, please contact me at 449-3010.

SENATE COMMITTEE ON STATE ADMINISTRATION

AMENDMENTS TO HOUSE BILL NO. 507

That House Bill No. 507, third reading, be amended as follows:

1. Amend page 7, Section 10, line 11.

Following: "audit"

Strike: " . "

Insert: " , except as follows:

(a) For each annual audit of fire department relief associati the department shall charge audit fees on the basis of the funds of the association:

(i) If the fund is more than one thousand dollars ($1,0 and less than five thousand dollars ($5,000), the annu audit fee shall be ten dollars ($10);

(ii) If the fund is from five thousand dollars ($5,000) ten thousand dollars ($10,000), the annual audit fee shall be twenty-five dollars ($25);

(iii) If the fund is more than ten thousand dollars ($10 the annual audit fee shall be thirty-five dollars ($35

(b) For each annual audit of fire districts and volunteer fir departments, the department shall charge audit fees of seven dollars and fifty cents ($7.50) an hour for each person engaged in the audit.

(c) For each annual audit of irrigation districts, the depar ment shall charge audit fees of seventy dollars ($70) a day for each person engaged in the audit.

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(i) If the fund is more than one thousand dollars ($1,0 and less than five thousand dollars ($5,000), the annu audit fee shall be ten dollars ($10);

(ii) If the fund is from five thousand dollars ($5,000) ten thousand dollars ($10,000), the annual audit fee shall be twenty-five dollars ($25);

(iii) If the fund is more than ten thousand dollars ($10 the annual audit fee shall be thirty-five dollars ($35

(b) For each annual audit of fire districts and volunteer fi departments, the department shall charge audit fees of seven dollars and fifty cents ($7.50) an hour for each person engaged in the audit.

(c) For each annual audit of irrigation districts, the depar ment shall charge audit fees of seventy dollars ($70) a day for each person engaged in the audit.

(d) For each annual audit of conservancy districts, the department shall charge audit fees of seventy dollars ($ a day for each person engaged in the audit."

2. Amend page 8, Section 12, lines 5 through 12.

   Strike: Strike section in its entirety.

   Renumber: All subsequent sections.

STANDING COMMITTEE REPORT

March 17, 19 75

PRESIDENT:

I, your committee on STATE ADMINISTRATION

had under consideration HOUSE Bill No. 507

ectfully report as follows: That HOUSE Bill No. 507,
rd reading bill, be amended as follows:

Amend page 7, section 10, line 11.
Following: "audit"
Strike: "."
Insert: ", except as follows:
(a) for each annual audit of fire department relief associations, the department shall charge audit fees on the basis of the funds of the association:
(i) if the fund is more than one thousand dollars ($1,000) and less than five thousand dollars ($5,000), the annual audit fee shall be ten dollars ($10);
(ii) if the fund is from five thousand dollars ($5,000) to ten thousand dollars ($10,000), the annual audit fee shall be twenty-five dollars ($25);
(iii) if the fund is more than ten thousand dollars ($10,000), the annual audit fee shall be thirty-five dollars ($35).
(b) for each annual audit of fire districts and volunteer fire departments, the department shall charge audit fees of seven

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(i) if the fund is more than one thousand dollars ($1,000) and less than five thousand dollars ($5,000), the annual audit fee shall be ten dollars ($10);
(ii) if the fund is from five thousand dollars ($5,000) to ten thousand dollars ($10,000), the annual audit fee shall be twenty-five dollars ($25);
(iii) if the fund is more than ten thousand dollars ($10,000), the annual audit fee shall be thirty-five dollars ($35).
(b) for each annual audit of fire districts and volunteer fire departments, the department shall charge audit fees of seven dollars and fifty cents ($7.50) an hour for each person engaged in the audit.

nt'd)

.....

STATE PUB. CO.
Helena, Mont.

(c) for each annual audit of irrigation districts, the department shall charge audit fees of seventy dollars ($70) a day for each person engaged in the audit.

(d) for each annual audit of conservancy districts, the department shall charge audit fees of seventy dollars ($70) a day for each person engaged in the audit."

2. Amend page 3, section 12, lines 5 through 12.
Following: line 4
Strike: section 12 in its entirety
Renumber: All subsequent sections

AND AS SO AMENDED, BE CONCURRED IN

SENATOR MIKE GREELY, Chairman

SENATE COMMITTEE on STATE ADMINISTRATION

Date 3-17-75 House Bill No. 507 Time 8:11 A.M.

NAME	YES	NO
GREELY, Mike - Chairman	X	
MURPHY, Terry - Vice Chairman	X	
DEVINE, John W.	X	
JERGESON, Greg	X	
SEIBEL, Ann	X	
ROSELL, Antoinette Fraser	X	
ROSKIE, George F.	X	
STORY, Peter	X	

Mary Anne Fisher
Secretary

Mike Greely
Chairman

Motion: By Story that House Bill 507 BE CONCURRED IN AS AMENDED.

SENATE COMMITTEE on STATE ADMINISTRATION

Date 3-17-75 House Bill No. 507 Time 8:10 a.m.

NAME	YES	NO
GREELY, Mike - Chairman	X	
MURPHY, Terry - Vice Chairman	X	
DEVINE, John W.	X	
JERGESON, Greg	X	
SEIBEL, Ann	X	
ROSELL, Antoinette Fraser	X	
ROSKIE, George F.	X	
STORY, Peter	X	

Mary Anne Fisher
Secretary

Mike Greely
Chairman

Motion: By Murphy that HB 507 be amended as follows. (see attached)

SENATE COMMITTEE ON STATE ADMINISTRATION

AMENDMENTS TO HOUSE BILL NO. 507

hat House Bill No. 507, third reading, be amended as follows:

. Amend page 7, Section 10, line 11.

Following: "audit"

Strike: " . "

Insert: " , except as follows:

(a) For each annual audit of fire department relief associations the department shall charge audit fees on the basis of the funds of the association:

(i) If the fund is more than one thousand dollars ($1,000) and less than five thousand dollars ($5,000), the annual audit fee shall be ten dollars ($10);

(ii) If the fund is from five thousand dollars ($5,000) to ten thousand dollars ($10,000), the annual audit fee shall be twenty-five dollars ($25);

(iii) If the fund is more than ten thousand dollars ($10,00 the annual audit fee shall be thirty-five dollars ($35).

(b) For each annual audit of fire districts and volunteer fire departments, the department shall charge audit fees of seven dollars and fifty cents ($7.50) an hour for each person engaged in the audit.

(c) For each annual audit of irrigation districts, the depart-

the department shall charge audit fees on the basis of the funds of the association:

(i) If the fund is more than one thousand dollars ($1,000) and less than five thousand dollars ($5,000), the annual audit fee shall be ten dollars ($10);

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(c) For each annual audit of irrigation districts, the department shall charge audit fees of seventy dollars ($70) a day for each person engaged in the audit.

(d) For each annual audit of conservancy districts, the department shall charge audit fees of seventy dollars ($70) a day for each person engaged in the audit."

2. Amend page 8, Section 12, lines 5 through 12.

Strike: Strike section in its entirety.

Renumber: All subsequent sections.

HOUSE BILL NO. 507

INTRODUCED BY KENDALL

(BY REQUEST OF THE DEPARTMENT OF INTERGOVERNMENTAL RELATIONS)

A BILL FOR AN ACT ENTITLED: "AN ACT TO RECODIFY THE EXAMINATION DUTIES OF THE DEPARTMENT OF INTERGOVERNMENTAL RELATIONS; REVISING PRESENT LANGUAGE AND ADDING SECTIONS TO CLARIFY THE AUDIT PROCESS; PROVIDING FOR AUDITS BY LICENSED PUBLIC ACCOUNTANTS OR FIRMS OF PUBLIC ACCOUNTANTS; AMENDING SECTION 75-6323, R.C.M. 1947; REPEALING SECTIONS 82-4501 THROUGH 82-4514, R.C.M. 1947; AND PROVIDING A DELAYED EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Definition. Unless the context requires otherwise, in this chapter "department" means the department of intergovernmental relations.

Section 2. Audit duties of department. (1) The department shall audit the affairs of all:

(a) counties;

(b) incorporated cities and towns;

(c) school districts;

(d) school district extracurricular fund for pupil functions;

(e) irrigation districts;

(f) conservancy districts;

(g) fire districts and volunteer fire departments in unincorporated areas, towns, and villages supported by a mill levy;

(h) fire department relief associations.

(2) Each audit shall be made annually and shall cover the immediately preceding fiscal year of the governmental entity.

(3) Each annual audit shall be initiated not later than twelve (12) months from the close of the fiscal year for which the audit is conducted.

(4) In lieu of the annual audits required by the department, the department may, with the consent of or at the request of the respective governmental entities, contract out such annual audits with a public accountant or firm of public accountants who are licensed under the laws of Montana.

Section 3. Audit purpose. The purpose of the audit of the affairs of the governmental entities as set forth in this chapter shall be to insure constituent interests by determining that compliance with all appropriate statutes and regulations is accomplished; that the financial condition and operations of the entities are reasonably conducted and reported; that the stewardship of such entities is conducted in such a manner as to preserve and

HB 0507/02

protect the public trust and to accomplish, with economy and efficiency, the duties and responsibilities of the entities in accordance with the legal requirements imposed and the desires of the public.

Section 4. Audit scope. Each annual audit shall be a comprehensive audit of the affairs of the governmental entity, including comment on the balance sheet, results of operations, compliance with state statutes and regulations, recommendations for improvement, and any other comments deemed pertinent by the auditor, and including his expression of opinion as to the adequacy of the financial presentations. Each such annual audit required shall be made in accordance with generally accepted governmental auditing standards.

Section 5. Audit exit review conference. Upon completion of the field work of each audit, the in-charge auditor is required to hold with the appropriate officials an exit review conference in which the audit results shall be discussed.

Section 6. Audit reports content. The audit reports shall contain but are not limited to the following:

(1) financial statements that conform with the generally accepted governmental accounting principles and which, insofar as possible, present the financial position and results of financial operations for each fund of the

governmental entity;

(2) an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed; when an overall opinion cannot be expressed, the reasons therefor should be stated;

(3) a statement that previously noted deficiencies or recommendations contained in previous audit reports have been acted upon by adoption as recommended, adoption with modification, or rejection; and

(4) disclosure of any lack of compliance with state statutes or regulations, as well as any operating deficiencies or recommendations for improvement.

Section 7. Audit reports -- issuance and filing. (1) Within sixty (60) days after the completion of the field work, the department shall issue audit reports as follows:

(a) county audit reports to county commissioners, the county clerk and recorder, and the county attorney;

(b) city or town audit reports to the city or town governing body, the city or town chief financial officer, the city or town chief executive, and the city or town attorney;

(c) school district audit reports to the trustees, the county superintendent of schools, the state superintendent of public instruction, the county attorney, and the clerk of

the school district;

(d) school district extracurricular fund audit reports to the trustees, the county superintendent of schools, the state superintendent of public instruction, the county attorney, and the fund administrator;

(e) fire district or volunteer fire department audit reports to the trustees, the county attorney, and the clerk and recorder of the county in which the fire district or fire department is located;

(f) conservancy district audit reports to the board of directors, the state department of natural resources and conservation, the district court, and the county attorney(s);

(g) fire department relief association audit reports to the trustees, the city or town attorney, and the respective city or town clerk; and

(h) irrigation district audit reports to the board of commissioners, the district court, and the county attorney(s);

(2) In cases where a violation of law or nonperformance of duty is found on the part of an officer, employee or board, the officer, employee or board must be proceeded against by the attorney general or county, city or town attorney as provided by law. The county, city or town attorney shall report to the department within thirty (30)

days after receiving the audit report from the department, the proceedings instituted or to be instituted relating to the violations of law and nonperformance of duty. If the county, city or town attorney fails or refuses to prosecute the case, the department may employ an attorney to prosecute the case at the expense of the respective governmental entity.

(3) All audit reports issued by the department are to be maintained on file at an appropriate location and open to public inspection.

Section 8. Audit report -- reply by governing bodies. (1) Upon receipt of the audit report the governing bodies of each audited entity shall review the contents, and within thirty (30) days shall notify the department in writing as to what action they plan to take on any deficiencies or recommendations contained in the audit report. If no deficiencies or recommendations appear in the audit report, notification shall not be required.

(2) Notification to the department shall include a statement by the governing bodies that noted deficiencies or recommendations for improvement have been acted upon by adoption as recommended, adoption with modification, or rejection.

Section 9. Audit report -- publication. After the expiration of the thirty (30) day period provided for in

section [8 of this act], the department shall send a copy of the general comments section of each annual audit report to a newspaper of general circulation for publication. However, the general comments section of each annual county audit report shall be sent to the official newspaper of the county for publication. The publication shall include a statement to the effect that the audit report is on file in its entirety and open to public inspection. Publication costs shall be borne by the audited governmental entity.

Section 10. Audit fees. The department shall charge audit fees based upon the costs incurred by the department in the conduct of each annual audit, EXCEPT AS FOLLOWS:

(A) FOR EACH ANNUAL AUDIT OF FIRE DEPARTMENT RELIEF ASSOCIATIONS, THE DEPARTMENT SHALL CHARGE AUDIT FEES ON THE BASIS OF THE FUNDS OF THE ASSOCIATION:

(I) IF THE FUND IS MORE THAN ONE THOUSAND DOLLARS ($1,000) AND LESS THAN FIVE THOUSAND DOLLARS ($5,000), THE ANNUAL AUDIT FEE SHALL BE TEN DOLLARS ($10);

(II) IF THE FUND IS FROM FIVE THOUSAND DOLLARS ($5,000) TO TEN THOUSAND DOLLARS ($10,000), THE ANNUAL AUDIT FEE SHALL BE TWENTY-FIVE DOLLARS ($25);

(III) IF THE FUND IS MORE THAN TEN THOUSAND DOLLARS ($10,000), THE ANNUAL AUDIT FEE SHALL BE THIRTY-FIVE DOLLARS ($35).

(B) FOR EACH ANNUAL AUDIT OF FIRE DISTRICTS AND

VOLUNTEER FIRE DEPARTMENTS, THE DEPARTMENT SHALL CHARGE AUDIT FEES OF SEVEN DOLLARS AND FIFTY CENTS ($7.50) AN HOUR FOR EACH PERSON ENGAGED IN THE AUDIT.

(C) FOR EACH ANNUAL AUDIT OF IRRIGATION DISTRICTS, THE DEPARTMENT SHALL CHARGE AUDIT FEES OF SEVENTY DOLLARS ($70) A DAY FOR EACH PERSON ENGAGED IN THE AUDIT.

(D) FOR EACH ANNUAL AUDIT OF CONSERVANCY DISTRICTS, THE DEPARTMENT SHALL CHARGE AUDIT FEES OF SEVENTY DOLLARS ($70) A DAY FOR EACH PERSON ENGAGED IN THE AUDIT.

All audit fees herein provided shall be paid by the governmental entity to the state treasurer and credited to the state general fund.

Section 11. Audit by independent accountant/auditor. (1) In lieu of the annual audits required of the department, the department may, with the consent of or at the request of the respective governmental entities, contract out such annual audits with a public accountant or firm of public accountants who are licensed under the laws of Montana.

(2) The department shall establish rules governing the administration of the contracts between the department, the independent accountant/auditor, and the governmental entities. These rules and regulations shall include, but not be limited to:

(a) establishment of criteria for the selection of the

independent accountant/auditor;

(b) contract form and content; and

(c) standards of audit and reporting.

~~Section 12. Audit advisory council. Pursuant to the authority contained in section 82A-110, there shall be created an audit advisory council for the purpose of providing a continuing review of the audit process and procedures contained in this chapter. The composition, duties and procedures of the audit advisory council shall be determined under the statutory guidelines contained in section 82A-110.~~

Section 12. Access to public accounts -- actions to compel. (1) The department may count the cash, verify the bank accounts, and verify all accounts of a public officer whose accounts it is examining under law. If an officer of any county, city, town, school, or other governmental entity referred to in this act, refuses to accord the department access during an audit of the officer's accounts to his cash, bank accounts, or any of the papers, vouchers or records of his office, or, if the department finds a shortage of cash, the department shall immediately file a preliminary report showing the refusal of that officer or the existence of the shortage and the approximate amount of the shortage, with the respective county, city or town attorney and the governing body of the governmental entity.

Upon filing of the statement, the officer shall immediately be suspended from the duties and emoluments of his office, and the governing body of such governmental entity shall appoint some qualified person to the office, pending completion of the audit.

(2) Upon the completion of the audit by the department, if a shortage of cash existed in the accounts of the officer, the department shall file with the governing body of the governmental entity a final report of the audit, showing the shortage. The right of the officer to the office is then forfeited, and the office becomes vacant as of the date of the suspension of the officer. The person appointed to the office upon the suspension of the officer shall hold the office until the election and qualification of his successor, as provided by law.

(3) An officer whose right to office has been forfeited may, within ten (10) days after the filing of the department's final report or audit, begin in the district court of the proper judicial district a proceeding in quo warranto to test the right of his successor to hold the office, and to test the accuracy of the final report and audit of the department.

Section 13. Duty of officers to aid in audit. The officers and employees of the governmental entities referred to in this act shall afford all reasonable facilities for

the department's audit and shall furnish information to the department under oath in a manner prescribed by the department.

Section 14. Power to examine books and papers. The department may examine any books, papers, accounts and documents in the office or possession of any governmental entity referred to in this act, and may send for persons or papers and examine under oath any person concerning them.

Section 15. Special audits. (1) In addition to the annual audits required by section [2 of this act], the department may at any time conduct a special audit of the affairs of any governmental entity referred to in this act.

(2) The fee for the special audit shall be a charge based upon the costs incurred by the department in the conduct of such special audit. The audit fee herein provided shall be paid by the governmental entity to the state treasurer and credited to the state general fund.

Section 16. Accounting methods. The department shall prescribe the general methods and details of accounting for the receipt and disbursement of all monies belonging to governmental entities referred to in this act, and shall establish in those offices general methods and details of accounting. All governmental entity officers shall conform with the standards prescribed by the department.

Section 17. Section 75-6323, R.C.M. 1947, is amended

to read as follows:

"75-6323. Extracurricular fund for pupil functions. The government of the pupils of the school within a district or the administration of a school on behalf of the pupils may establish an extracurricular fund for the purposes of the receipts and expenditures of money collected for pupil extracurricular functions with the approval of the trustees of the district. All extracurricular moneys of any pupil organization of the school shall be deposited and expended by check from a bank account maintained for the extracurricular fund.

An accounting system for the extracurricular fund recommended by the ~~state---examiner~~ department of intergovernmental relations shall be implemented by the trustees. Such accounting system shall provide for:

(1) the internal control of the cash receipts and expenditures of the money; and

(2) a general account that can be reconciled with the bank account for the extracurricular fund and reconciled with the detailed accounts within the extracurricular fund maintained for each student function.

~~The trustees of the district shall cause an annual audit of the extracurricular fund by retaining the state examiner to perform such audit. A fee of eighty dollars ($80) per day per man shall be paid from the extracurricular~~

~~fund-or-district-moneys-to-the-state-examiner-for-deposit-in the-state-treasury-to-the-credit-of-the-general-fund.~~

~~The-auditor-shall-file-a-certified-copy--of--the--audit report---with---the---county---superintendent.---The--county superintendent-shall-publish-notice-in-a--newspaper--of--the district--or--county--of--the-filing-and-the-fact-that-it-is open-to-public-inspection."~~

Section 18. Sections 82-4501 through 82-4514, R.C.M. 1947, are repealed.

Section 19. This act shall become effective on July 1, 1976.

-End-